

APPENDIX E

STORES OVERHEAD CALCULATION

PROCEDURE: MATERIALS & SUPPLIES STOREROOM EXPENSE ALLOCATION

PURPOSE: To allocate the payroll and expenses of operating the materials and supplies storerooms to utility and non-utility operations.

OVERVIEW: Materials and Supplies Storeroom Expenses consist of the costs of operating the materials and supplies storerooms in the Brockton, Springfield and Lawrence Divisions. These costs are accumulated in a series of clearing accounts and are allocated based on the dollar value of stock withdrawn by the various utility and non-utility operations. A computer program is used to allocate the storeroom expenses and automatically records the journal entries.

STEPS All costs incurred in the operation and maintenance of the storerooms are accumulated in a series of sub accounts of account 163. Included in storeroom costs are storeroom personnel payroll and purchases related to the operation and maintenance of the storeroom. As an example, the types of costs for storeroom purchase and payroll costs are recorded by the following journal entry:

(DR) Storeroom Purchase Costs	163-xx	
(DR) Storeroom Payroll Costs	163-xx	
(CR) A/P		232-00
(CR) Payroll Payable		232-02

2. On a monthly basis, amounts charged to account 163-xx are allocated via a clearing rate to all accounts to which stock withdrawals are charged. The rate is determined for each division by dividing the prior calendar year's total storeroom operating and maintenance costs by the total dollar value of stock withdrawn for that year.
- 3 The storeroom costs are allocated over the same accounts to which the stock withdrawals were charged using the computerized materials and supplies clearing program. This process takes place during Materials and Supplies distribution (Exhibit A) and is explained in more detail in Step 4. The journal entry that results from storeroom clearing is as follows:

(DR) Capital Projects	Various Accounts	
(DR) Expense Accounts	Various Accounts	
(CR) Storeroom Clearing		163-09

4. The storeroom clearing rate in Step 2 is entered into the clearing program by the Accounting Department. The program multiplies the dollar value of stock withdrawn by account by the clearing rate and records a journal entry for the amount of the allocated storeroom expense. A contra account, 163-09, is used to accumulate the total credits of allocated storeroom costs. For example, if the material withdrawn has a cost of \$10.00, and the storeroom clearing rate is 15%, then \$1.50 is credited to the contra account 163-09.
5. **The Accounting Department reviews the clearing activity and adjusts the clearing rates as necessary during the year.**